

**Jennifer L. Dorn
Administrator
Federal Transit Administration
Remarks
2nd National Fraud Conference
St. Louis, Missouri
May 15, 2002**

Good afternoon. Thank you, Ken [Mead], for that kind introduction – and thank you for inviting me here today. We in transportation are so fortunate to have someone of Ken Mead’s caliber and dedication at the helm of the IG’s office. He brings both intellectual rigor and political savvy to the job – and he helps all of us do a better job in meeting the transportation needs of the American people. I appreciate his wise counsel, and the cooperation and efforts of his IG team. We have worked well together to improve FTA’s oversight program. It has proved to me that the concept of a “helpful inspector general” isn’t an oxymoron! After all, we both have the same goal: effective stewardship of the taxpayer dollar.

I am equally pleased – as I always am – to share the podium this afternoon with my colleague, Mary Peters. Mary and I are working hard to make “one DOT” a reality—although it is never really hard work with such a capable, experienced, straightforward and professional colleague. It is a joy to work with her. And conferences such as this are vitally important to that “one DOT” effort. While highways and transit each have idiosyncrasies – some created by statute, others by tradition – we have much in common. And working to prevent, detect, and fight “waste, fraud and abuse” is an important commitment that we share.

I also want to thank the many people who have made this conference possible. Director Henry Hungerbeeler and Inspector General Sharon Shulte of the Missouri Department of Transportation – many thanks for hosting us this week. Thanks also to the American Association of State Highway and Transportation Officials and the American Public Transportation Association for co-sponsoring the conference.

At FTA, we are also particularly proud of the public transportation provider in St. Louis – the Bi-State Development Agency. Bi-State is a shining example of how public transportation leaders can help a community promote economic development through good transportation planning. The MetroLink light rail system here in St. Louis was a catalyst for the development of a \$266 million convention center hotel, a \$60 million performing arts center, and the \$5.8 million Jackie Joyner Kersey Sports Complex. And the Busch Stadium MetroLink station provides easy access to the \$646 million Ballpark Village, the largest single development in the city’s history. What an important statement that makes about the value of public transportation in connecting communities.

As I thought about my remarks on fraud today, I was reminded of a story I once heard about a young girl who had gone to church with her parents. She had spent much of the service fidgeting in her seat and poking her brother. Her father – clearly annoyed by her antics -- wanted to make a point about paying attention in church. So after the service, he asked her what the minister’s sermon was about. “Sin,” she responded. “And what did he say about sin?” her father asked. With an air of absolute certainty, she replied, “He was against it.”

Like sin, it is difficult to be anything but against fraud. So the real question is, what do we do about it? We are, of course, fortunate to have a top-notch team in our Inspector General’s office to help us investigate and prosecute cases of fraud. But equally important are the steps we take in the course of our normal operations to prevent fraud in the first place.

FTA oversees grants to more than 600 entities across the nation – including transit agencies of all sizes, state departments of transportation, and community-based non-profit organizations. All FTA grantees are subject to oversight reviews – including triennial reviews, financial and procurement reviews, drug and alcohol reviews, and civil rights reviews. Grantees that undertake major capital projects – primarily in the New Starts program – are subject to additional oversight reviews. These reviews are conducted, for the most part, by our program management and financial management oversight contractors. Additional oversight is provided by regional and headquarters FTA staff.

With the increased investments of ISTEA and TEA-21, the nation’s public transportation infrastructure has increased dramatically. And the growth rate shows no signs of slowing down. The Secretary’s 2003 New Starts Report recommends funding for 29 New Starts full funding grant agreements. Those 29 projects represent a total Federal, State, and local investment of \$15.4 billion in public transportation. And more communities than ever are planning transit projects to add capacity and replace their aging facilities and equipment. Currently, in FTA’s New Starts pipeline, there are over 100 projects in alternatives analysis; another 39 have been approved for entry into preliminary engineering; and an additional 11 projects have been approved for entry into final design. Collectively, these projects reflect a total investment of about \$42 billion.

FTA takes a proactive approach to project oversight. Our oversight program was first established under law in 1987. It is financed by setting aside 1 percent of our discretionary grant funds and a half percent of formula funds.

Today, FTA’s 15 program management oversight contractors – PMOCs, as we call them -- monitor the progress of 109 major capital projects representing nearly \$69 billion in total project costs. In a nutshell, PMOCs are responsible for assessing the grantees’ project management plans, monitoring the implementation of those plans, and gauging whether the projects are proceeding on time, within budget, and in line with the approved plans and specifications.

In addition, FTA engages 5 financial management oversight contractors who conduct financial capacity reviews as a project seeks entry into each successive phase of development – moving from alternatives analysis, to preliminary engineering, final design, and, ultimately, to the execution of a full funding grant agreement.

Full funding grant agreements – FFGAs, as we call them – are, in fact, another important tool in our oversight arsenal. From the grantee’s perspective, the FFGA represents a contractual commitment for the “full” amount of New Starts funds to be allocated to a project – during the current authorization and beyond. At the same time, the FFGA serves as an important mechanism for project oversight.

Every FFGA does four things:

- It clearly defines the scope of a discrete project;
- It establishes a firm date for project completion;
- It establishes a total project cost; and
- It defines the limit of Federal New Starts funding for the project.

FTA uses all of these mechanisms – program management oversight, financial management oversight, and full funding grant agreements -- to avoid and mitigate problems. In large part, this approach has been highly successful. Over the last 4 years, 16 of the 17 New Starts projects that began revenue service were completed within budget.

That is not to say, however, that difficult issues do not arise in the planning and construction of New Starts projects. In these instances, FTA moves promptly to identify issues and require corrective action by grantees. (And if we miss something, the IG is often right behind us!) In recent years, FTA has withheld funds and required an acceptable recovery plan on projects under FFGAs in Boston, Los Angeles, San Francisco and San Juan.

Although we believe that FTA’s oversight programs are among the best in government, we are committed to a rigorous program of continual improvement. In fact, improving our oversight program is a key action item in our recently adopted strategic business plan.

Improving oversight, however, does not necessarily mean increasing the number of oversight reviews or creating new topic-specific reviews. What we are most concerned about is enhancing the value, accountability, and effectiveness of our oversight program.

Let me give you one example of the kinds of steps we are taking. In New York, planning is underway for a \$4.3 billion mega-project called East Side Access. I won’t go into the details of the project, but as you can tell by the cost, it is a complex undertaking. Last fall, we asked the Army Corps of Engineers to perform an independent review of the

proposed project – focused on MTA’s cost estimates, schedule and contracting strategy. It was an extremely valuable undertaking – for FTA and for New York.

We have also taken heed of the IG’s recommendation to conduct spot reviews of the work of our oversight contractors. The first of these was conducted in Salt Lake City prior to the start of the Olympic Games. Each quarter, we will be undertaking a similar “spot check” to look at the documentation behind the work of our contractors on high risk projects.

I have also asked the Inspector General – and he has agreed – to work hand-in-hand with us to ensure that the restoration and recovery of the New York City subway system proceeds without problems of waste, fraud and abuse. This effort – which is both expensive and highly visible – demands that we are especially vigilant in protecting the interests of U.S. taxpayers and New York residents. It is an approach that has worked well in Corps of Engineers projects, and I asked IG Ken Mead to consider it. Let’s bring the audit agency in on the front-end as a “partner” in identifying potential problems – so they can be solved before they delay projects and raise the cost.

Conferences such as this are critical to our work at FTA. Like sin, we all understand that fraud is bad. What we need – and what we get from meetings like this – is a better understanding of where our vulnerabilities lie and what to watch for.

I am grateful to the IG’s office for including transit in this important conference, and I am pleased that so many of our large transit agencies are participating. We look forward to working with the IG, with state departments of transportation, and with our transit agencies to ensure that our funds are spent wisely, our investments are protected, and our communities have the benefit of good public transportation systems.